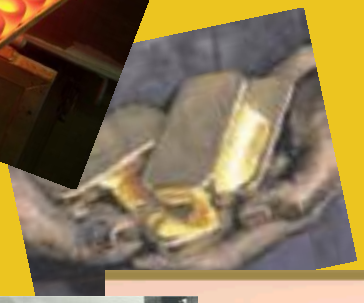
Town of Choice

Westonaria Local Municipality



Mining

Financial Statements for the year ended 30 June 2009

Agriculture

Westonaria Local Municipality
Annual financial statements
for the year ended 30 June 2009

Westonaria Local Municipality

Annual Financial Statements for the year ended 30 June 2009

General Information

Legal form of entity	Westonaria Local Municipality
Mayoral committee	
Executive Mayor	M.A. Khumalo
Councillors	A. Gela W. Matshaya J. Motsepe B.M. Mosimane N. Mndayi
Accounting Officer	M.G. Seitisho
Chief Finance Officer (CFO)	H.J. van Brakel
Registered office	C/o Neptunus and Saturnus Civic Centre Westonaria 1780
Business address	C/o Neptunus and Saturnus Civic Centre Westonaria 1780
Postal address	P. O. Box 19 Westonaria 1780

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2010 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the West Rand District Municipality has neither the intention nor the need to liquidate or currtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 4 to 41, which have been prepared on the going concern basis, were approved by the accounting officer on 27 August 2009.

The annual financial statements as approved on 27 August 2009 have been significantly revised resulting the re-submission of these statements.

M.G. Seitisho
Municipal Manager

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2009.

1. Review of activities

Main business and operations

The municipality lies within the boundaries of the West Rand District Municipality (WRDM) and is the authorised local government within the demarcated boundaries of town of Westonaria.

The financial position of the municipality is precarious as rate of collections from consumers, and thus cash holdings, has declined further in the year under review when compared to last year due to the tough prevailing economic conditions which have resulted in higher unemployment. This is coupled to rising levels of abuse of the indigent system of free basic services by those who can pay but will not - the notion of entitlement to free services irrespective of ability to pay is still prevalent and perhaps growing. The steep rises in the cost of electricity from Eskom when combined with non payment has not made for an easy year.

Net surplus of the municipality was R 9,293,083 (2008: surplus .R2,377,774)

Proportion of income and loss attributable to various classes of business:

2009

Classes of business	Proportion of contribution to income
Electricity	17 %
Water	24 %
Sewerage purification	9 %
Refuse removal	3 %

2008

Classes of business	Proportion of contribution to income
Electricity	19 %
Water	14 %
Sewerage purification	6 %
Refuse removal	4 %

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these are: firstly, that the municpality's short term financing facility with its bank is maintained and not withdrawn; secondly, that it continues to receive the alllocated grants from provincial and national governements; thirdly, that the level of collections does not deteriorate any further.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

Accounting Officer's Report

5. Non-current assets

Details of major changes in the nature of the non-current assets of the municipality during the year are set out in Notes 3 to 10 of the financials.

There were no changes in the policy relating to the use of non-current assets,

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
M.G. Seitisho

7. Secretary

The secretarial function was performed by the Department Corporate Services.

8. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

Audit and risk committee

The chairperson of the audit committee for the financial year was Mr W. Senne who is an independent audit committee member.

9. Bankers

ABSA Bank, Westonaria branch.

10. Auditors

The appointed auditors are the Auditor General.

Statement of Financial Position

Figures in Rand	Note(s)	2009	2008
Assets			
Current Assets			
Cash and cash equivalents	3	629,135	7,906,039
Trade and other receivables from exchange transactions	4	25,452,786	20,954,618
Other receivables from non-exchange transactions	5	11,250,444	1,612,052
Inventories	6	1,113,957	1,544,324
Current portion of receivables	7	1,539,562	5,290,419
		39,985,884	**37,307,452**
Non-Current Assets			
Non-current receivables	7	3,223,703	2,888,057
Investments	8	2,117,349	1,900,535
Property, plant and equipment	9	219,120,704	195,876,336
Investment property	10	32,207,673	30,415,005
		256,669,429	**231,079,933**
Total Assets		**296,655,313**	**268,387,385**
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	11	17,898,752	12,507,663
Consumer deposits	12	2,735,124	2,692,194
Taxes and transfers payable	13	5,375,108	265,384
Accruals	14	5,200,715	5,777,539
Bank overdraft	3	18,191,202	5,859,044
Unspent conditional grants and receipts	15	4,654,749	6,575,438
Current portion of long-term liabilities	16	7,615,883	12,901,119
		61,671,533	**46,578,381**
Non-Current Liabilities			
Long-term liabilities	16	39,551,853	39,693,458
		39,551,853	**39,693,458**
Total Liabilities		**101,223,386**	**86,271,839**
Net Assets		**195,431,927**	**182,115,546**
Accumulated surplus		195,431,927	182,161,599

Statement of Financial Performance

Figures in Rand	Note(s)	2009	2008
Revenue			
Property rates	20	18,789,808	17,447,112
Service charges	21	99,074,932	68,185,435
Rental of facilities and equipment		428,552	424,522
Interest received from external investments	22	1,220,878	1,729,605
Interest received from outstanding debtors		7,095,897	4,953,691
Fines		574,271	271,143
Licences and permits		4,481,661	3,205,419
Government grants and subsidies	23	91,151,273	74,952,748
Other income	24	827,180	323,175
Profit on sale of property		1,727,489	84,550
Total Revenue		**225,371,941**	**171,577,400**
Expenditure			
Employee related costs	25	(72,716,028)	(69,949,539)
Remuneration of councillors	26	(6,616,175)	(6,235,410)
Debt impairment	27	(19,342,010)	(11,252,307)
Collection costs		(708,571)	(680,561)
Depreciation and amortisation	28	(5,904,052)	(4,449,497)
Repairs and maintenance		(9,733,879)	(8,063,249)
Finance costs	29	(7,309,320)	(5,689,469)
Bulk purchases	30	(70,680,595)	(36,533,840)
Contracted services	31	(6,405,810)	(4,673,536)
Grants and subsidies paid	32	(2,794)	(19,145)
Internal Charges/Charge outs		4,131,712	(1,266,387)
General Expenses	33	(20,802,052)	(20,436,519)
Total Expenditure		**(216,089,574)**	**(169,249,459)**
Gains on disposal of assets		10,716	25,305
Surplus for the year		**9,293,083**	**2,353,246**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2008	**179,783,048**	**179,783,048**
Changes in net assets		
Fair value gains, net of tax: Land and buildings	25,305	25,305
Net income (losses) recognised directly in net assets	25,305	25,305
Surplus for the year	2,353,246	2,353,246
Total recognised income and expenses for the year	2,378,551	2,378,551
Total changes	2,378,551	2,378,551
Opening balance as previously reported	182,161,599	182,161,599
Adjustments		
Prior year adjustments	511,963	511,963
Balance at 01 July 2008 as restated	**182,673,562**	**182,673,562**
Changes in net assets		
Surplus for the year	9,293,083	9,293,083
Transfer to/from accumulated surplus/deficit	3,465,282	3,465,282
Total changes	12,758,365	12,758,365
Balance at 30 June 2009	**195,431,927**	**195,431,927**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2009	2008
Cash flows from operating activities			
Cash receipts from customers		222,682,672	171,622,675
Cash paid to suppliers and employees		(185,411,933)	(152,144,584)
Cash generated from operations	35	37,270,739	19,478,091
Interest income		1,220,878	1,729,605
Finance costs		(7,309,320)	(5,689,469)
Net cash from operating activities		**31,182,297**	**15,518,227**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(30,816,588)	(31,817,099)
Sale of property, plant and equipment	9	10,716	25,305
Purchase of investment property	10	(124,500)	(136,762)
Sale of non-current receivables		335,646	(1,157,405)
Non-current investments		(7,510,073)	1,903,273
Non-cash item		(7,259,714)	7,895,339
Net cash from investing activities		**(45,364,513)**	**(23,287,349)**
Cash flows from financing activities			
Proceeds from long-term liabilities		8,540,044	9,117,392
Repayment of long-term liabilities		(13,966,885)	(4,801,367)
Net cash from financing activities		**(5,426,841)**	**4,316,025**
Total cash movement for the year		**(19,609,057)**	**(3,453,097)**
Cash at the beginning of the year		2,046,995	5,500,092
Total cash and cash equivalents	3	**(17,562,062)**	**2,046,995**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP).

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Allowance for slow moving, damaged and obsolete stock

An allowance to write stock down to the lower of cost or net realisable value. The write down included is accounted for in the Statement of Financial Performance.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Allowance for doubtful debts

As regards consumer debtors an impairment loss is recognised in the Statement of Financial Performance when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the nominal value of estimated future cash flows computed at initial recognition.

1.2 Presentation of currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 Going concern

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 Comparative figures

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Initial recognition

On initial recognition, an item of property, plant and equipment is measured at cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plan and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets.

Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

1.5 Property, plant and equipment (continued)

Item	Years
Infrastructure	
• Roads & Paving	30
• Electricity	20-30
• Water	15-20
Community	
• Recreational Facilities	20-30
• Buildings	30
Other	
• Bins and containers	5
• Buildings	30
• Furniture & fittings	7-10
• Landfill sites	15
• Motor vehicles	5
• Specialised plant & equipment	10-15
• Office equipment	3-7
• Other items of plant & equipment	2-5
• Security	5
• Specialised vehicles	10
• Sewerage network & purification plant	15-20

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Non-compliance

The municipality is making use of a 3 year provision as per directive 3 & 4. As a result, the provisions of GRAP 17 with regard to "measurment after recognition"" have not been applied to infrastructure assets as the project to undertake the exercise has yet to start. Thus the residual value, the useful life of each asset and the depreciation methods have not been reviewed and are unchanged from previous years.

The depreciation method applied to an asset is reviewed for each asset at the reporting date.

The depreciation charge for each period is recognised in the Statement of Financial Performance unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the Statement of Financial performance when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets with a value of less than R2000 and with a life span of a year or less are deemed to be consumable items.

1.6 Investment property

Initial recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a

1.6 Investment property (continued)
finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Cost model

Investment property is carried at cost less accumulated depreciation less any accumulated impairment losses.

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

1.7 Inventories

Initial recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method.

1.8 Financial instruments

Initial recognition and measurement

Financial instruments are initially recognised at fair value.

Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

Investments

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and

1.8 Financial instruments (continued)
are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Trade and other payables

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liaibilities held at amortised cost, are intitially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilties carried at amortised cost.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially and subsequently measured at fair value. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality’s accounting policy for borrowing costs.

Financial liabilities

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their fair value.

Impairment of financial assets

At each balance sheet date an assessment is made of whether there is any objective evidence of impairment of financial assets. If there is evidence then the recoverable amount is estimated and an impairment loss is recognised as an expense in the Statement of Financial Performance.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

1.8 Financial instruments (continued)

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Consumer debtors, long term receivables and other debtors are stated at cost less a provision for bad debts. The provision is made on an individual basis or group, based on expected cash flows.

Separate classes of loans and receivables were assessed for impairment using the following methodologies:

Sale-of-Erven Loans

Sale-of-Erven Loans are assessed individually for impairment to ensure that no objective evidence exists that these loans are irrecoverable. These loans consist mainly of long-term loans to public and employees of the municipality. If the employees are still in the employ of the municipality, management is of the opinion that these loans are fully recoverable. Should this not be the case, a provision for the doubtful debt is made.

Sundry Deposits

Sundry deposits are assessed for impairment to ensure that no objective evidence exists that these deposits are irrecoverable.

Sundry Debtors

Sundry Debtors are those Suspense Control Accounts classified as financial instruments with debit balances as at year-end. Sundry Debtors are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

Insurance Claims

Insurance Claims are in respect of expenditure incurred for assets replaced by the municipality and the settlement from the insurers is awaited. These are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

Government Subsidy Claims

Government subsidy claims are individually assessed for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

Disposal of investments

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.9 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.10 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003); the Municipal Systems Act Act No.32 of 2000) and the Public Offciers Bearers Act Act No.20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised exenditure. Irregular expenditure is accounted for separately in the Statement of Finance Performance and where recovered, it is subsequently acoounted for separately in the Statement of Financial performance.

1.11 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been

1.11 Fruitless and wasteful expenditure (continued)
exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.12 Provisions and contingencies

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned
- the principal locations affected
- the location, function, and approximate number of employees who will be compensated for terminating their services
- the expenditures that will be undertaken; and

b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

1.13 Leases

Municipality as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

Accounting Policies

1.13 Leases (continued)

Municipality as lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.14 Revenue

Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses where revenue is recognised when payment is received.

Accounting Policies

1.14 Revenue (continued)

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.15 Grants, transfers and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.17 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave, sick leave, and bonuses), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined benefit plans

The municipality provides retirement benefits for its employees and councillors. The payments to the multi-employer defined benefit retirement plans are charged as an expense as they fall due. The funds are administered on a provincial basis. Actuarial valuations are conducted on an tri-annual basis by independent actuaries separately for each plan on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or through increased future contributions on a proportional basis from all participating municipalities.

Other post retirement obligations

The medical aid funds to which the employees and councillors belong make provision for reduced employer contributions to the funds upon either retirement or early retirement due to ill health. These contributions are expensed as they fall due.

The quantum of the contribution is a set percentage based on whether the retiree was employed before or after 1 July 2004. The percentages and the date were established by SALGA in terms of its negotiations with the respective medical aid funds on behalf of all the municipalities.

1.18 Impairment of assets

In the year under review the municipality has not undertaken any impairment testing of either the cash generating or the non-cash generating assets. In previous years no testing of these assets was done due to the application of an exemption

1.18 Impairment of assets (continued)
of IAS 36 / AC 128 -*Impairment of assets* - granted in terms of Government Gazette 30013.

The testing for impairment of both types of assets and the requirements of GRAP 17, for Infrastructure assets, forms part of the comprehensive project Integrated Infrastructure Management & Master Planning System; for which a grant funding application was lodged with the Development Bank of South Africa (DBSA) in January 2009. The processes to receive this grant have not been completed as the discussions with the Gauteng Department of Local Government, as a joint funder, have not been finalised.

It is hoped that these negotiations will be finalised shortly so that the project can start and be completed by the end of the next financial year and so meet all the requiements of GRAP 17 and the above mentioned standards.

1.19 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.20 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.21 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.22 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.23 Internal reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised. The amount transferred to the CRR is based on the municipality's need to finance future replacement of plant and equipment in the Integrated Development Plan.

Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit.

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus.

Donations and public contributions reserve

1.23 Internal reserves (continued)

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/deficit.

Compensation for occupational injuries and diseases (COID) reserve

The Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) is to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is 0.75% of the salary expense. The municipality is an exempt employer in terms of Section 84 (1) (a)(ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the municipality is mandated to establish its own fund and administers this fund in terms of the COID Act.

1.24 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

1.25 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.26 Exemptions in prior financial year

Full advantage

The municipality had taken full advantage of all the exemptions by the Minister of Finance in Government Gazette 30013 of 29 June 2007. These exemptions are for the 2006/07 and 2007/08 financial years.

Adjustment for full compliance

By complying fully with the standards that are currently being exempted and for which the full advantage has been taken will result in changes in the following:

Statement of financial Performance:

- Impairment loss / gain
- Changes in fair value of assets
- Adjustment in expenditure for intangible assets
- Property, plant and equipment adjusted for Impairment
- Property, plant and equipment adjusted for Intangible assets
- Recognising of Intangible assets

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 17: Property, Plant and Equipment

The provisions of GRAP 17 with regards "movable assets" have been applied since the financial year ended June 2007.

However, the provisions of GRAP 17 with regard to "measurement after recognition"' have not been applied to infrastructure assets as the project to undertake the exercise has yet to start as is described in accounting policy note 1.18. Thus the residual value, the useful life of each asset and the depreciation methods have not been reviewed and are unchanged from previous years. The aggregate impact of the expected revaluation adjustment and the depreciation adjustment arising from this comprehensive exercise is expected to be material. An estimate has not been attempted for and to do so would be meaningless and be in the realms of pure conjecture

Figures in Rand	2009	2008

3. Cash and cash equivalents

Cash on hand	11,700	10,700
Short-term deposits	560,530	1,578,898
Current portion of Pledged Investments	56,905	6,316,441
Bank overdraft	(18,191,202)	(5,859,044)
	(17,562,067)	**2,046,995**

The non-current portion of pledged investments is included in non-current investments (note 8).

Current assets	629,135	7,906,039
Current liabilities	(18,191,202)	(5,859,044)
	(17,562,067)	**2,046,995**

The municipality had the following bank accounts

Account details	Bank statement balances			Cash book balances		
	30 June 2009	30 June 2008	30 June 2007	30 June 2009	30 June 2008	30 June 2007
ABSA Westonaria Account 590-000-019 (Primary Bank Account)	4,508,785	1,820,500	9,483,626	(18,305,457)	(5,859,044)	5,308,049

4. Trade and other receivables from exchange transactions

Gross Balances		
Rates	12,424,053	8,889,679
Electricity	7,347,016	5,702,060
Water	32,171,150	24,016,765
Sewerage	3,128,356	2,612,153
Refuse	4,481,983	3,975,498
Housing rental	892,864	675,455
Other (Vat, capital, interest, reconnection fees etc.)	26,678,845	19,138,492
Handed over to debtors	2,315,398	1,180,152
Debtors with credit balances	2,237,466	1,647,060
	91,677,131	**67,837,314**
Less: Provision for debt impairment		
Rates	9,608,870	2,714,598
Electricity	3,107,078	3,211,765
Water	26,834,306	20,578,473
Sewerage	2,465,315	2,078,473
Refuse	3,932,557	3,438,111
Housing rental	817,766	597,954
Other (Vat, capital, interest, reconnnection fees etc.)	18,290,295	13,083,170
Handed over to debtors	1,168,158	1,180,152
	66,224,345	**46,882,696**
Net balance		
Rates	2,815,183	6,175,081
Electricity	4,239,938	2,490,295
Water	5,336,844	3,438,292
Sewerage	663,041	533,680
Refuse	549,426	537,387
Housing rental	75,098	77,501
Other (Vat, capital, interest, reconnection fees etc.)	8,388,550	6,055,322
Handed over to debtors	1,147,240	-

Figures in Rand	2009	2008
4. Trade and other receivables from exchange transactions (continued)		
Debtors with credit balances	2,237,466	1,647,060
	25,452,786	**20,954,618**
Rates		
Current (0 -30 days)	2,400,477	1,334,113
31 - 60 days	414,706	480,823
61 - 90 days	425,519	294,751
91 - 120 days	360,179	302,734
121+ days	8,823,172	6,477,258
	12,424,053	**8,889,679**
Electricity, water, sewerage, refuse and rental (excludes VAT, interest, capital and reconnection fees)		
Current (0 -30 days)	9,303,013	5,423,129
31 - 60 days	1,561,335	1,955,406
61 - 90 days	1,384,907	1,487,978
91 - 120 days	1,470,791	1,125,152
121+ days	34,301,324	26,990,264
	48,021,370	**36,981,929**
Reconciliation of debt impairment provision for consumer debtors		
Balance at beginning of the year	46,882,696	38,779,921
Contribution to provision	(19,341,649)	(8,102,775)
Balance at the end of the year	**66,224,345**	**46,882,696**
Reconciliation of debt impairment provision for long-term, trade and other receivables		
Contributions to provision:		
Long-term receivables	(1,852,232)	(1,852,232)
Trade and other receivables	(1,053,258)	(1,053,258)
Balance at the end of the year	**(2,905,490)**	**(2,905,490)**
Total provisions held for all receivables	**(69,129,835)**	**(49,788,186)**

Details of long-term receivables is contained in note 7 and trade and other receivables in note 5.

The increase in the provision for impaired receivables has been included in operating expenses in the statement of financial performance (note 27). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The municipality does not hold any collateral as security beside that of consumer deposits.

Figures in Rand	2009	2008

5. Other receivables from non-exchange transactions

Guarantees in lieu of electricity and water deposits	120,000	120,000
Overtime and bonuses paid in advance	1,066,456	898,673
Sundry Debtors	1,554,199	1,581,744
Staff debtors - leave taken in advance	10,391	64,893
SARS (VAT Receivable)	9,521,184	-
Sundry debtors with credit balances	31,472	-
Provision for bad debts - sundry debtors	(1,053,258)	(1,053,258)
	11,250,444	**1,612,052**

6. Inventories

Consumable stores - at cost	1,119,524	1,307,288
Stock in transit	(5,567)	237,036
	1,113,957	**1,544,324**

Stock in transit is shown as creditors in trade and other payables in note 11.

7. Non-current receivables

Sale of stands	4,276,757	4,064,291
Car loans	776,006	676,148
Bursury loans	3	-
Mothlakeng Sewer (Randfontein Local Municipality)	1,539,562	5,290,419
Long-term receivables with credit balances	23,319	32,705
Property deposits	(150)	(150)
	6,615,497	**10,063,413**
Less: Current portion		
Mothlakeng Sewer (Randfontein Local Municipality)	1,539,562	5,290,419
Less: Provision for doubtful debts		
Sale of stands	1,076,226	1,176,084
Car loans	776,006	676,148
	1,852,232	**1,852,232**
	3,223,703	**2,920,762**

Sale of stands

A provision has been raised against a proportion of the debtors for the sale of stands. Interest has been accrued to these debts and is reflected in interest earned. An adjustment to this interest earned has not been made as this provision encompasses such an adjustment.

Car Loans

Senior staff were, prior to the implimentation of the Municipal Finance Management Act, entitled to car loans which attract interest at 8.5% per annum and which are repayable over a maximum period of 6 years. No new loans are granted since 2003. The loans still reflected relate to 5 former employees which have been handed over to the Municipality's attorneys for collection.

The amount includes an amount of R538,323 (2008 - R463,865) owed by a former Municipal Manager.

Figures in Rand	2009	2008

7. Non-current receivables (continued)

The full amount outstanding has been fully provided. The increase over the year has been interest accruing on the outstanding debt.

8. Investments

At fair value through surplus or deficit		
Pledged investments	2,117,349	1,900,535
Invested with Nedcor as security for the redemption of registered municipal stock on maturity date.		

The current portion of pledged investments is included in cash and cash equivalents (note 3).

9. Property, plant and equipment

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Infrastructure	230,527,281	(69,613,996)	160,913,285	198,754,892	(65,593,148)	133,161,744
Community	40,072,358	(29,190)	40,043,168	38,083,267	(485,782)	37,597,485
Other	28,718,779	(10,554,528)	18,164,251	33,331,838	(8,214,731)	25,117,107
Total	**299,318,418**	**(80,197,714)**	**219,120,704**	**270,169,997**	**(74,293,661)**	**195,876,336**

Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Other changes, movements	Depreciation	Total
Infrastructure	133,161,744	25,238,181	6,702,237	(4,188,877)	160,913,285
Community	37,597,485	2,544,073	(98,390)	-	40,043,168
Other	25,117,107	3,034,334	(8,272,015)	(1,715,175)	18,164,251
	195,876,336	**30,816,588**	**(1,668,168)**	**(5,904,052)**	**219,120,704**

Reconciliation of property, plant and equipment - 2008

	Opening balance	Additions	Disposals	Depreciation	Total
Infrastructure	183,977,315	17,915,780	(3,138,204)	(65,593,147)	133,161,744
Community	32,884,845	5,219,206	(20,783)	(485,783)	37,597,485
Other	23,091,442	12,081,863	(1,841,466)	(8,214,732)	25,117,107
	239,953,602	**35,216,849**	**(5,000,453)**	**(74,293,662)**	**195,876,336**

Other information

Fully depreciated property, plant and equipment still in use	61,849,541	57,328,919

See Appendix B for more detail on property, plant and equipment, including those in the course of construction.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. Investment property

2009	2008

Figures in Rand	2009	2008

10. Investment property (continued)

	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	32,207,673	-	32,207,673	30,415,005	-	30,415,005

Reconciliation of investment property - 2009

	Opening balance	Additions	Other changes, movements	Total
Investment property	30,415,005	124,500	1,668,168	32,207,673

Reconciliation of investment property - 2008

	Opening balance	Additions	Total
Investment property	30,278,243	136,762	30,415,005

Details of property

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Trade and other payables from exchange transactions

Trade payables	12,972,453	10,217,154
Long-term debtors with credit balances	23,319	32,705
Stock in transit	(5,567)	237,036
Salary creditors	170,810	91,157
Debtors with credit balances	2,237,467	1,647,060
Sundry debtors with credit balances	31,472	237,276
Unclaimed monies	2,468,798	45,275
	17,898,752	**12,507,663**

12. Consumer deposits

Electricity & water	2,735,124	2,692,194
Guarantees in lieu of electricity and water deposits	120,000	120,000

See note 5 for details on guarantees in lieu of electricity and water deposits.

All consumers are required to lodge a deposit equating to two months consumption of electricity and water services. These deposits are only refunded once the service is terminated. No interest is paid on deposits.

13. Taxes and transfers payable

VAT payable	5,375,108	265,384

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

Figures in Rand	2009	2008

14. Accruals

Reconciliation of accruals - 2009

	Opening Balance	Reversed during the year	Total
Leave Pay	5,777,539	(576,824)	5,200,715

Reconciliation of accruals - 2008

	Opening Balance	Additions	Total
Leave Pay	3,529,308	2,248,231	5,777,539

15. Unspent conditional grants and receipts

Unspent conditional grants comprises

Conditional grants from other spheres of government	4,654,749	6,575,438

See note 23 for the reconciliation of grants from National/Provincial Government as well as details of MIG Grants.

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited.

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

16. Long-term liabilities

At fair value through surplus or deficit		
Local Registered Stock Loans	2,628,000	9,628,000
Annuity Loans	44,123,033	42,513,389
Financial Lease	416,703	453,188
	47,167,736	**52,594,577**
Non-current portion		
Local Registered Stock Loans	2,628,000	2,628,000
Annuity Loans	36,507,150	36,624,225
Financial Lease	416,703	441,233
	39,551,853	**39,693,458**
Current portion		
Local Registered Stock Loans	-	7,000,000
Annuity Loans	7,615,883	5,889,164
Financial Lease	-	11,955
	7,615,883	**12,901,119**
	47,167,736	**52,594,577**

Refer to Appendix A for more detail on long-term liabilities.

Local registered stock and annuity loans are fixed rate loans. Interest on local registered stock loans is payable half-yearly. Interest and capital on redemption on annuity loans and the finance leases are payable monthly.

Figures in Rand	2009	2008

17. Retirement benefits

There are 6 retirement funds into which Councillors and employees contribute. Further detail of retirement funds and medical aid plans are provided below.

Defined contribution plan

There are 4 defined contribution retirement funds.

These funds are subject to a triennial actuarial valuation. The last valuation was performed as at 30 June 2006. Its liabilities as at that date are R 1 818 624 000 which are financed by assets with a market value of R2 116 732 000. Information requested on the latest valuation of the Pension Fund for Councillors was outstanding at the date of this report. The market value of Pension Funds in general was effected by external international market forces.

No information has been received from the Pension Funds on the latest valuation as at 30 June 2009, despite a written request for this information. The impact of this on the relevant defined benefit funds was not known at date of this financial statements.

An amount of R 7,5 million (2008: R7,3 million) was contributed by the Municipality in respect of Councillor and employees retirement funds. These contributions have been expensed.

Defined benefit plan

There are 2 defined benefit retirement funds.

The first fund to which 10 (2008 - 10) employees contribute is within the ambit of the Joint Municipal Pension Fund (JMPF) structure.

The second to which Councillors contribute, is within the ambit of the Municipal Employees Pension Fund structure.

Post retirement medical aid plan

Medical aid funds include K Health, Bonitas, LA Health, Samuhealth and Hosmed.

The basis of benefits paid - applicable to all medical aids - as per the agreement by SALGA icludes the following:

- Employees who have retired or who have been boarded
- Those employed before 1 July 2004 - WLM continues to pay 70% of WLM's contribution that was paid whilst employed.
- Those employed after 1 July 2004 - WLM continues to pay 60% of WLM's contribution that was paid whilst employed.

Post retirement medical aid funds

Contribution to post retirement medical aid funds	611,642	525,714

The above amounts are included in employee related benefits (note 25) as costs - contributions to medical aid funds.

Figures in Rand	2009	2008

18. Revenue

Rendering of services	117,864,740	85,632,547
Rental Income	428,552	424,522
Interest received	7,095,897	4,953,691
Fines	574,271	271,143
Licences and permits	4,481,661	3,205,419
Government grants	91,151,273	74,952,748
	221,596,394	**169,440,070**

19. Imputed interest

This note disloses the effect of GRAP 9 paragraph 15. The calculation brings into account the interest from interest free period, to recognise revenue at fair value of consideration received or receivable.

As a result of the calculations below, revenue would be notionally reduced by these amounts and interest revenue would be notionally increased. Comparitives from prior year have not been computed.

Assesment rates (revenue)	77,573	-
Electricity (revenue)	110,189	-
Water (revenue)	217,358	-
Sewerage (revenue)	17,733	-
Refuse (revenue)	18,742	-
Net calculated imputed interest	**441,595**	**-**

20. Property rates

Rates received

Commercial	18,789,808	17,447,112

Valuations

Residential	182,303,979	182,303,979
Improvements	692,559,146	692,559,146
	874,863,125	**874,863,125**

Valuations on land and buildings are planned to be performed every three years. The last valuation came into effect on 1 July 2000. The current valuation roll will remain in force till implementation of the new valuation roll. The new roll will be produced so that it can be introduced at the same time as the new Property Rates Act is due to be activated 1 July 2009. A general rate of R0.1626 (2008: R0.1520) is applied to property valuations to determine assessment rates. Rebates of 40% are granted to pensioners. Rates are levied on an annual basis on property owners. Rates are levied on an annual basis and are payable monthly by the 8th day of the following month. Interest at 15% per annum (2008: 15%) is levied on outstanding rates. Overdue amounts are handed over for collection once the Revenue Collection policy processes have been followed.

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Figures in Rand	2009	2008

21. Service charges

Sale of electricity	25,279,133	22,291,932
Sales of pre-paid electricity	11,178,823	10,212,779
Sale of water	48,202,631	18,937,859
Refuse removal	4,741,022	4,781,744
Sewerage and sanitation charges	9,545,505	11,834,845
Other service charges	127,818	126,276
	99,074,932	**68,185,435**

22. Investment revenue

Interest on investments	1,220,878	1,729,605

23. Government grants and subsidies

Equitable share	46,658,534	36,392,493
Provincial health subsidy	1,171,905	5,764,060
Provincial government sundry grant	5,038,328	5,000,000
MIG Grant - Capital Expenditure	26,880,631	24,207,615
MIG Grant - Operational Expenditure	1,235,818	1,149,550
DAC Funding - libraries	279,000	1,118,000
MSIG Grant	735,000	821,030
FMG Grant	500,000	500,000
Bontle ke Botho prize money	110,000	-
Contribution WRDM	8,542,057	-
	91,151,273	**74,952,748**

Equitable Share

The equitable share allocation reflects the equitable division of Revenue raised nationally amongs spheres of Government in terms of the Division of Revenue Act, No. 2 of 2008 (Government Gazette No. 30940 dated 1 April 2008).

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. It is also used to finance operational expenditure and Councillor remuneration.

Provicial Health Subsidies

Current-year receipts	1,171,905	5,764,060
Conditions met - transferred to revenue	1,171,905	5,764,060
Conditions still to be met - transferred to liabilities	**-**	**-**

The Municipality renders primary health services on behalf of the Provincial Government and is refunded fully for expenditure incurred. Income and expenditure related to primary health services are included in the public health vote as per Appendix D. The conditions of the subsidy have been met.

Figures in Rand	2009	2008

23. Government grants and subsidies (continued)

MIG Grant

Balance unspent at beginning of year	6,575,438	2,451,407
Current-year receipts	32,771,198	31,932,603
Conditions met (infrastructure) - transferred to revenue	33,456,069	26,659,022
Conditions met (PMU Unit) - transferred to revenue	1,235,818	1,149,550
Conditions still to be met - transferred to liabilities	**4,654,749**	**6,575,438**

The allocation of MIG grants were in terms of the Division of Revenue Act, No. 2 of 2008 (Government Gazette No. 30940 dated 1 April 2008).

The MIG Grant consists of 2 componements: one for the operational expenditure related to the unit R1,235,818 (2008 - R1,149,550), and the other componement to fund infrastructure such as roads, sewer, disposal sites ect. as part of the upgrading of previous disadvantage areas totalling R33,456,069 (2008 - R26,659,022). No funds have been withheld. Grants utilised are reflected in the Income statement in note 23, Government grants and receipts.

Conditions still to be met - transferred to liabilities, are reflected in note 15, Unspent conditional grants and receipts.

FMG Grant

Current-year receipts	500,000	500,000
Conditions met - transferred to revenue	500,000	500,000
Conditions still to be met - transferred to liabilities	**-**	**-**

The allocation of the Finance Management Grant was in terms of the Division of Revenue Act, No. 2 of 2008 (Government Gazette No. 30940 dated 1 April 2008).

This grant was used to finance the National Treasury Intern programme and training as part of the Financial Management reform. No funds have been withheld.

Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, No. 2 of 2008 (Government Gazette No. 30940 dated 1 April 2008), no significant increase in the Equitable share allocation are expected over the forthcoming 3 financial years.

24. Other income

Profit on sale of property	1,727,489	84,550
Other income	827,180	323,175
	2,554,669	**407,725**

Figures in Rand	2009	2008

25. Employee related costs

Basic	41,733,220	39,314,526
Bonus	3,638,915	3,473,237
Medical aid - company contributions	5,442,919	4,997,905
UIF	414,926	382,248
SDL	682,179	999,512
Other payroll levies	20,272	19,278
Leave pay provision charge	(10,391)	2,183,338
Standby Allowance	585,334	566,082
Temporary Employees	52,271	54,278
Post-employment benefits - Pension - Defined contribution plan	7,505,555	7,369,215
Travel, motor car, accommodation, subsistence and other allowances	4,607,944	3,725,880
Overtime payments	5,433,227	4,558,454
Long-service awards	255,766	8,000
Acting allowances	719,013	596,425
Housing benefits and allowances	932,159	989,169
Entertainment Allowance	3,204	7,727
Group Life	453,337	453,633
Uniforms and Overalls	44,806	37,101
Protective Clothing	188,722	213,531
Telephone Allowance	12,650	-
	72,716,028	**69,949,539**

Remuneration of former acting municipal manager

Annual Remuneration	-	194,845
Telephone allowance	-	5,600
Car allowance	-	58,100
Contributions to UIF, medical and pension funds	-	59,071
	-	**317,616**

The figures reflect the remuneration details of the former Acting Municipal Manager for 2007 and upto the expiry of the retrenchment package. On 17 February 2007 the contract of employment was terminated. In terms of the settlement agreement, the Municipality made payments in terms of the original employment contract until it expired on 31 January 2008.

Remuneration of municipal manager (appointed 1 August 2007)

Annual Remuneration	706,812	509,577
Telephone allowance	-	10,000
Car allowance	184,448	177,965
Contributions to UIF, medical and pension funds	147,496	121,056
	1,038,756	**818,598**

The municipal manager was appointed on 1 August 2007.

Remuneration of chief finance officer

Annual Remuneration	637,702	428,820
Travel, motor car, accomodation, subsistence and other allowances	117,600	137,711
Contributions to UIF, medical and pension funds	73,398	106,504
	828,700	**673,035**

Figures in Rand	2009	2008

25. Operating surplus (continued)

Remuneration of individual executive directors (Strategic Services)

Annual Remuneration	334,310	-
Telephone allowance	7,500	-
Car allowance	125,668	-
Contributions to UIF, medical and pension funds	1,026	-
	468,504	**-**

Remuneration of individual executive directors (Performance and Compliance)

Annual Remuneration	519,324	392,975
Service bonuses	-	32,445
Telephone allowance	18,000	8,400
Car allowance	141,264	132,250
Contributions to UIF, medical and pension funds	156,445	125,046
	835,033	**691,116**

Remuneration of individual executive directors (ID&P Services)

Annual Remuneration	712,544	135,820
Telephone allowance	18,000	4,500
Car allowance	96,618	23,580
Contributions to UIF, medical and pension funds	1,538	374
	828,700	**164,274**

Remuneration of individual executive directors (Corporate Services)

Annual Remuneration	712,544	317,944
Telephone allowance	18,000	10,500
Car allowance	96,618	55,020
Contributions to UIF, medical and pension funds	1,538	7,232
	828,700	**390,696**

Remuneration of individual executive directors (Community Services)

Annual Remuneration	555,964	260,083
Telephone allowance	18,000	10,500
Car allowance	108,000	61,860
Contributions to UIF, medical and pension funds	146,736	58,253
	828,700	**390,696**

The post of Executive Manager: ID & P had been vacant since July 2005. The Executive Manager Municipal Support services had also been the Acting Municipal Manager until 17 February 2007.

From 1 March 2007 a employee from the Sedibeng District Municipality was seconded to Westonaria Municipality to be the Acting Executive Manager Municipal Support Services, at no cost to Westonaria Municipality.

The Executive Manager: Municipal Support Services and Executive Manager: Community Services were appointed as from 1 December 2007. The Executive Manager: ID &P was appointed as from 1 March 2008.

The CFO's contract of employment was renewed as from 1 March 2008. The Executive Manager: Internal Affairs' contract expired on 30 April 2009.

Figures in Rand	2009	2008

26. Remuneration of councillors

Executive Major	546,472	478,829
Speaker	375,690	374,697
Executive Committee Members	1,348,475	1,172,472
Councillors	2,289,945	2,132,052
Councillors' pension and medical aid contribution	461,539	456,621
Councillors' allowances	1,594,055	1,620,740
	6,616,176	**6,235,411**

Remuneration terms

Councillors were remunerated for the period 1 July 2007 until 31 December in terms of Government Gazette No. R1224 of 1 December 2006. The remuneration packages of Councillors are in terms of the forementioned Government Gazettes and are structured to include "In kind benefits". The payment structure was confirmed in the Council's resolution 0003/07(02).

Councillors were remunerated for the period 1 January 2008 until 30 June 2008 in terms of Government Gazette No. R1227 of 18 December 2007. The payment structure was confirment in Council resolution C/Res 0274/08(02).

Councillors were remunerated for the period 1 July 2008 until 30 June 2009 in terms of Government Gazette No. R1319 of 8 December 2008.

The executive mayor, speaker and mayoral committee members are full-time. Each is provided with an office and secretarial support and the cost of council.

The executive mayor has use of a council owned vehicle for official duties and 2 full-time bodyguards.

27. Debt impairment

Bad debts	360	3,149,532
Contributions to bad-debt provision	19,341,650	8,102,775
	19,342,010	**11,252,307**

28. Depreciation and amortisation

Property, plant and equipment	5,904,052	4,449,497

See Appendix B for more detail on property, plant end equipment.

29. Finance costs

Interest paid on long-term liabilities	7,309,320	5,689,469

30. Bulk purchases

Electricity	26,199,560	18,410,815
Water	44,481,035	18,123,025
	70,680,595	**36,533,840**

Figures in Rand	2009	2008
31. Contracted services		
Fleet Services	3,100,977	1,026,638
Operating Leases	1,286,805	978,822
Specialist Services	520,023	1,628,676
Other Contractors	1,498,005	1,039,400
	6,405,810	**4,673,536**
32. Grants and subsidies paid		
Grants	2,794	19,145
33. General expenses		
Advertising	167,208	17,602
Bank charges	672,815	296,380
Computer expenses	4,363	-
Consumables	21,509	39,250
Entertainment	292,778	220,166
Flowers	7,988	40,219
Gifts	5,537	9,938
Insurance	703,253	475,551
Conferences and seminars	280,598	286,854
Lease rentals on operating lease	1,867,775	1,516,788
Levies	1,373,904	1,152,893
Magazines, books and periodicals	833	286,715
Medical expenses	25,056	11,687
Motor vehicle expenses	2,232,597	-
Grant Expenditure	1,052,783	554,073
Fuel and oil	2,261,190	2,263,434
Relocation costs	(3,503)	28,625
Postage and courier	217,083	208,537
Printing and stationery	1,829,297	1,511,637
Project maintenance costs	15,872	11,183
Security (Guarding of municipal property)	-	3,375
Software expenses	357,407	798,681
Subscriptions and membership fees	632,219	238,964
Telephone and fax	1,119,939	1,002,711
Training	60,104	-
Travel - local	388,518	428,196
Stock and material	195,642	201,216
Recoverable Work Proceeds	(340,590)	(1,657,672)
Promotion of town	336,455	1,337,591
HIV/AIDS	122,591	645,788
Chemicals	201,133	220,686
Convention bureau	100	15,385
Other expenses	4,699,598	8,270,066
	20,802,052	**20,436,519**

Figures in Rand	2009	2008

34. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Operating lease charges		
Premises		
• Contractual amounts	1,729,902	1,373,165
Equipment		
• Contractual amounts	137,873	143,623
	1,867,775	**1,516,788**
Surplus on sale of property, plant and equipment	10,716	25,305
Depreciation on property, plant and equipment	5,904,052	4,449,497
Employee costs	79,332,203	76,184,949

35. Cash generated from operations

Surplus	9,293,083	2,353,246
Depreciation and amortisation	5,904,052	4,449,497
Off-setting of depreciation	-	(2,612,539)
Surplus on sale of assets	(10,716)	(25,305)
Interest received	(1,220,878)	(1,729,605)
Finance costs	7,309,320	5,689,469
Movements in provisions - non-current	(576,824)	-
Contribution to provision - current	19,342,010	8,102,775
Other non-cash items	(1,948,989)	(4,215,960)
Prior year adjustment	511,963	(1,097,187)
Changes in working capital:		
Inventories	430,367	(136,670)
Other receivables from non-exchange transactions	(9,638,392)	8,835,835
Consumer debtors	(4,498,168)	(775,184)
Current portion of receivables	3,750,857	5,151,872
Consumer deposits	42,930	223,910
Trade and other payables from exchange transactions	5,391,089	(5,067,700)
VAT	5,109,724	(3,792,394)
Unspent conditional grants and receipts	(1,920,689)	4,124,031
	37,270,739	**19,478,091**

36. Commitments

Authorised capital expenditure

Approved and contracted for:		
Infrastructure	4,654,745	13,887,363
Approved but not contracted for	-	-
	4,654,745	**13,887,363**

Commited expenditure will be financed from:

Government grants	4,654,745	13,887,363

Commitments includes a provision to the amount of R1,726,262 for retension fees on projects.

Figures in Rand	2009	2008

37. Contingencies

Contingent liabilities

Claim for damage to a house rising from a fallen tree	-	75,096
Collection processes in respect of joint committee of attorneys	15,000	-

38. Related parties

Joint ventures	None
Associates	None

Key management information

Executive Mayor	Ms. M. Am Khumalo
Mayoral Committee member	Ms. A. Gela
Mayoral Committee member	Ms. J. Motsepe
Mayoral Committee member	Ms. B. M. Mosimane
Mayoral Committee member	Mr. W Matshaya
Mayoral Committee member	Mr. N. Mndayi
Municipal Manager	Mr. M. G. Setisho
CFO	Mr. H. J. van Brakel
HOD: Community Services	Ms. T. Morolo
Acting HOD: Strategic Services	Mr. J. Coetzee
HOD: Corporate Services	Mr. L. Thibini
HOD: Infrastructure and Development	Mr. S. Mbanjwa (Resigned 2009/05/31)
HOD: Performance and Compliance	Mr. H. R. Uys

39. Risk management

Capital risk management

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

The municipality's activities expose it to a variety of financial risks: local econimic environment, market forces, cash flow interest rate risk and price risk, credit risk and liquidity risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial

Figures in Rand	2009	2008

39. Risk management (continued)

instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. The main risk is represented by the deterioration of on-time collection of property taxes and service charges.

40. Going concern

We draw attention to the fact that at 30 June 2009, the municipality had been experiencing cash flow difficulties in that the collections from consumer debtors are very low at some 65% of monthly billings and the collections for arrear debts have been steadily declining. Of the R89,4 million owed by consumer debtors (2008 - R66,2 million), there is R62,3 miilion over 300 days (2008 - R46,5 million). Consequently the provision for doubtful debts has been increased by some R19,3 million to R66,2 million (2008 - R 46.8 million) and this represents some 74% (2008 - 70.7%) of the amount owed by consumer debtors.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to procure banking facilities for the ongoing operations for the municipality and that, now the April 2009 national elections are over, the credit control policies can be applied more effectively without political interference so as to improve the very low collections ratios on monthly billings and improve the collection of arrear debts.

41. Post balance sheet events

There are no post balance sheet events that have a bearing on these financial statements

42. Unauthorised, fruitless and wasteful expenditure

Payments made to a former acting Municipal Manager	-	317,616

The figures reflect the remuneration details of the former Acting Municipal Manager for 2007 and upto the expiry of the retrenchment package. On 17 February 2007 the contract of employment was terminated. In terms of the settlement agreement, the Municipality made payments in terms of the original employment contract until it expired on 31 January 2008.

43. In-kind donations and assistance

The municipality did not receive in-kind donations and assitance for the current and prior years of reporting.

44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

SALGA membership fees	617,488	217,643
SALGA - SALGA - SA Local Government Bargaining Council	-	10,439
Amount paid - current year	617,488	228,082
Balance unpaid (included in creditors)	**-**	**-**

Figures in Rand	2009	2008

44. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

Current year fee	1,451,167	982,073
Amount paid - current year	1,451,167	982,073
Balance unpaid (included in creditors)	**-**	**-**

PAYE and UIF

Current year payroll deductions	10,740,624	8,149,709
Amount paid - current year	10,740,624	8,149,709
Balance unpaid (included in creditors)	**-**	**-**

Pension and medical aid deductions

Current year payroll deductions and council contributions	20,625,019	18,876,913
Amount paid - current year	20,625,019	18,880,131
Balance unpaid (included in creditors)	**-**	**(3,218)**

VAT

VAT payable	5,375,108	265,384

VAT output payables and VAT input receivables are shown in note 13.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding at 30 June 2009. These outstanding amounts will be recovered from salaries in terms of instructions from the previous MEC in the Gauteng Department of Local Government

30 June 2009	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor A. Gela	-	-	-

30 June 2008	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor A. Gela	1,033	4,051	5,084

45. Utilisation of long-term liabilities reconciliation

Long-term liabilities raised	47,167,736	52,594,577
Used to finance property, plant and equipment	47,167,736	52,594,577
Cash set aside for the repayment of long-term liabilities	-	-
	-	**-**

Cash invested for repayment of long-term liabilities

Pledged Investments	2,117,349	1,900,535

Figures in Rand	2009	2008

45. Utilisation of long-term liabilities reconciliation (continued)

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

Detail of cash invested is in Investments (note 8).

46. Deviation from supply chain management regulations

A number of deviations were approved by Council in terms of REG.17(1)(c)FWPQ, REG.16(c)WQ, and DEV. 36(1)(a)(v) of the Supply Chain Policy. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviations from the normal supply chain management regulations.

47. Prior period error

Vacant land understated in previous years

During the audit of the current annual financial statements, it was discovered that the fixed asset register for land was understated when compared to the Valuation Roll as at 30 June 2008 for the vacant land owned by the municipality. There was a change in the financial accounting systems as from 30 June 2002 and the information carried forward onto the new system for the fixed asset register was incomplete as regards the detail of the specific vacant erfs in the various suburbs. The understatement of land prior to the amendment amounts to R2,836,834

In considering the most practical way to account for the difference that has probably been present since June 2002, management have decided that it was not practicable to account for the difference before the start of the financial year ending on 30 June 2006.

The opening balances for year end 30 June 2007 for Land & Buildings and consequently Property, Plant & Equipment have accordingly been adjusted to reflect the understatement.

The Accumulated Surplus opening balance for year ended 30 June 2007 has likewise been adjusted. The effect of the change is set out below.

Land and Buildings - Carrying values at the beginning of the year	-	31,857,158

Other errors

Understatement of redemption on DBSA loan	198,020	-
Overstatement of leave provision	(511,963)	-

48. Leases

Operating leases

Operating lease payments in the financial statements have been recognised on the basis of the cash flows in terms of the lease agreements. The provisions of Accounting Standard AC 105 (Leases) have not been followed whereby operating lease payments are to be recognised on a straight line basis. The exemptions approved in terms of Notice 522 in the Government Gazette No. 30013, dated 29 June 2007, as described in the Accounting Policies note on “Basis of Presentation”, include the exemptions from meeting the requirements of AC 105 on the recognition of operating lease payments on a straight line basis.

Figures in Rand	2009	2008

48. Leases (continued)
Financial lease obligation

Minimum lease payments due		
Within one (1) year	264,572	207,171
Year two (2) to five (5) inclusive	152,131	246,017
Present value of minimum lease payments	**416,703**	**453,188**
Non-current liabilities	264,572	207,171
Current liabilities	152,131	246,017
	416,703	**453,188**

It is the municipality's policy to lease certain vehicles under finance leases.

The effective interest rate is link to the prime rate and is repayable in 48 equal installments of R16,267 of which the first was paid in July 2008. The last installment is payable end June 2012.

Operating lease obligation

Minimum lease payments due		
Within one (1) year	1,404,674	1,152,516
Year two (2) to five (5) inclusive	1,814,490	1,098,233
Minimum lease payments	**3,219,164**	**2,250,749**

It is the Municipality's policy to lease certain equipment and vehicles under operating leases. All operating leases are at a fixed rate of interest.

The operational lease for equipment is repayable in 60 equal installments of R17,196 which the first was paid in July 2008. The last installment is payable end June 2013.

The operational lease of the vehicles is repayable in 60 equal installments of R96,761 of which the first was paid in January 2006. The last installment is payable November 2011.

APPENDIX A

WESTONARIA LOCAL MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

EXTERNAL LOANS		Loan Number	Redeemable	Balance at 2008/06/30	Received during the period	Redeemed written off during the period	Balance at 2009/06/30	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
LONG-TERM LOANS				**R**	**R**	**R**	**R**	**R**	**R**
LOCAL REGISTERED STOCK									
Stock Loan @ 15.50%	(33)	West-01-0002	2011/06/30	2,628,000	0	0	2,628,000	2,628,000	-
Stock Loan @ 17.50%	(32)	West-01-0001	2009/06/30	7,000,000	0	7,000,000	0	0	0
Total Local registered stock				**9,628,000**	**0**	**7,000,000**	**2,628,000**	**2,628,000**	**0**
ANNUITY LOANS									
INCA @ 12.08%		West-01-0003	2013/06/30	6,459,123	0	1,001,398	5,457,725	5,457,725	
INCA @ 13.34%		West-01-0004	2014/06/30	8,916,270	0	1,052,164	7,864,106	7,864,106	
INCA @ 10.61%		West-01-0005	2015/12/31	2,510,945	0	233,533	2,277,412	2,277,412	
INCA @ 11.03%		West-01-0006	2010/11/30	3,304,546	0	1,262,031	2,042,515	2,042,515	
INCA @ 11.17%		West-01-0008	2012/06/30	5,406,916	0	1,135,346	4,271,570	4,271,570	
INCA @ 11.11%		West-01-0007	2012/06/30	2,799,023	0	194,241	2,604,781	2,604,781	
INCA @ 13.65%		West-01-0010	2012/06/30	3,274,915	0	513,584	2,761,331	2,761,331	
INCA @ 13.00%		West-01-0009	2018/06/30	5,272,000	0	172,631	5,099,369	5,099,369	
INCA @		West-01-0011	2015/09/30	0	8,300,000	569,041	7,730,959	7,730,959	
DBSA @ 12.00%		10506/102	2017/06/30	4,569,651		556,387	4,013,264	4,013,264	
				42,513,389	**8,300,000**	**6,690,356**	**44,123,033**	**44,123,033**	**0**
FINANCE LEASE									
ABSA @ prime less 2%		62723683	2009/06/30	11,956	0	11,956	0	0	-
ABSA @ prime less 2%			2013/12/31	441,232	0	195,215	246,017	246,016	
ABSA @ prime less 2%			2012/06/17		240,044	69,357	170,687	170,687	
Total Finance Lease				**453,188**	**240,044**	**276,528**	**416,703**	**416,703**	**0**
TOTAL EXTERNAL LOANS				**52,594,577**	**8,540,044**	**13,966,884**	**47,167,736**	**47,167,736**	**0**

Westonaria Local Municipality

APPENDIX B

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 June 2009

	Opening Balance	Adjustments	Restated Opening Balance	Additions	Revaluation	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value	Budget
Land and Buildings													
Land and Buildings			0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
Infrastructure													
Drains	3,267,751	-863,923	2,403,827	557,731	0	0	2,961,558	-5	0	0	-5	2,961,554	2,000,000
Roads	62,648,184	1,022,097	63,670,281	3,605,937	0	0	67,276,218	-52,805	-23,443	0	-76,247	67,199,971	2,500,000
Sewerage mains & Purification	52,872,422	5,006,861	57,879,283	10,289,575	0	0	68,168,858	-11,228,938	-2,441,643	0	-13,670,581	54,498,277	2,000,000
Electricity mains	31,257,696	-204,952	31,052,744	1,492,600	0	0	32,545,343	-26,682,917	-205,628	0	-26,888,545	5,656,798	300,000
Electricity Peak control equipme	0	0	0	0	0	0	0	0	0	0	0	0	0
Water mains & Purification	20,737,014	957,457	21,694,471	4,320,552	0	0	26,015,023	-6,665,318	-863,143	0	-7,528,461	18,486,563	3,000,000
Reservoirs water	19,907,913	0	19,907,913	0	0	0	19,907,913	-19,907,912	0	0	-19,907,912	1	0
Water meters	3,896,601	567,259	4,463,860	4,939,058	0	0	9,402,917	-222,742	-574,785	0	-797,528	8,605,390	6,100,000
Pedestrian facilities	3,693,908	-303,841	3,390,067	32,729	0	0	3,422,796	16	0	0	16	3,422,812	400,000
Fencing	0	804,958	804,958	0	0	0	804,958	-653,323	-75,978	0	-729,301	75,658	0
Security Measures	473,403	-451,706	21,697	0	0	0	21,697	-11,176	-4,257	0	-15,434	6,263	100,000
	198,754,890	6,534,210	205,289,100	25,238,181	0	0	230,527,281	-65,425,119	-4,188,877	0	-69,613,996	160,913,285	16,400,000
Community assets													
Parks & Gardens	6,316,919	-148,386	6,168,533	515,007	0	0	6,683,540	0	0	0	0	6,683,540	3,200,000
Libraries	1,951,636	0	1,951,636	0	0	0	1,951,636	0	0	0	0	1,951,636	0
Recreation Grounds	3,418,396	1,193,451	4,611,846	76,576	0	0	4,688,422	0	0	0	0	4,688,422	1,650,000
Civic Buildings	17,944,784	-6,462,882	11,481,902	1,421,408	0	0	12,903,310	-18,004	0	0	-18,004	12,885,306	500,000
Clinics	986,396	3,390	989,786	0	0	0	989,786	0	0	0	0	989,786	200,000
Cemeteries	3,436,221	-158,208	3,278,014	514,854	0	0	3,792,868	0	0	0	0	3,792,868	1,600,000
Other	4,028,916	5,017,652	9,046,568	16,228	0	0	9,062,796	-11,186	0	0	-11,186	9,051,610	600,000
Old age Homes		0	0	0	0	0	0	0	0	0	0	0	0
	38,083,268	-554,982	37,528,285	2,544,073	0	0	40,072,358	-29,190	0	0	-29,190	40,043,168	7,750,000
Investment Property													
Land and Buildings	30,415,005	1,668,167	32,083,172	124,500	0	0	32,207,672	0	0	0	0	32,207,672	200,000
	0	0	0	0	0	0	0	0	0	0	0	0	0
	30,415,005	1,668,167	32,083,172	124,500	0	0	32,207,672	0	0	0	0	32,207,672	200,000
Housing Rental Stock													
Housing Schemes	0	0	0				0	0			0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Assets													
Landfill sites	20,490,645	-9,103,440	11,387,205	0	0	0	11,387,205	0	0	0	0	11,387,205	9,300,000
Office Equipment	1,948,307	-1,565,035	383,271	0	0	0	383,271	-301,966	-31,245	0	-333,210	50,061	600,000
Furniture & Fittings	2,053,269	649,636	2,702,905	144,998	0	0	2,847,903	-1,506,831	-306,092	0	-1,812,923	1,034,979	350,000
Bins & Containers	708,055	275,733	983,787	0	0	0	983,787	-179,136	-114,901	0	-294,036	689,751	150,000
Emergency equipment	0	0	0	0	0	0	0	0	0	0	0	0	0
Motor Vehicles	4,217,564	-589,389	3,628,176	2,410,165	0	0	6,038,341	-2,892,685	-411,262	0	-3,303,947	2,734,394	200,000
Fire engines			0	0	0	0	0	0	0	0	0	0	0
Other transport			0	0	0	0	0	0	0	0	0	0	0
Computer equipment	2,622,624	-41,677	2,580,947	246,701	0	0	2,827,648	-1,061,808	-517,377	0	-1,579,185	1,248,464	3,536,946
Plant & Equipment	1,232,009	2,299,489	3,531,498	210,932	0	0	3,742,429	-2,457,176	-285,306	0	-2,742,482	999,947	100,000
	33,272,472	-8074683.14	25,197,789	3,012,795	0	0	28,210,585	-8,399,602	-1,666,182	0	-10,065,784	18,144,801	14,236,946
Inventory Items													
Small assets	59,366	427,289	486,655	21,539	0	0	508,194	-439,750	-48,993	0	-488,743	19,451	50,000
	59,366	427,289	486,655	21,539	0	0	508,194	-439,750	-48,993	0	-488,743	19,451	50,000
	300,585,001	0	300,585,001	30,941,089	0	0	331,526,090	-74,293,661	-5,904,052	0	-80,197,713	251,328,377	38,636,946

Westonaria Local Municipality
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2008

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Revaluation	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Executive & Council	10,763,983	561,368	0	0	11,325,351	-896,169	-513,522	0	-1,409,692	3,770,002
Finance & Admin	35,183,839	298,256	0	0	35,482,095	-1,122,924	-412,097	0	-1,535,021	33,947,074
Planning & Development	102,942,001	24,138,922	0	0	127,080,923	-4,351,713	-1,178,245	0	-5,529,958	121,550,965
Health	1,486,951	0	0	0	1,486,951	-307,969	-26,379	0	-334,347	1,152,604
Community & Social	4,239,851	6,829	0	0	4,246,680	-196,860	-69,472	0	-266,332	3,980,349
Housing	653,462	0	0	0	653,462	-11,613	-1,012	0	-12,625	640,837
Public Safety	1,624,768	373,163	0	0	1,997,931	-632,284	-109,459	0	-741,743	1,256,188
Sport & Recreation	4,398,183	16,228	0	0	4,414,411	-519,951	-134,570	0	-654,522	3,759,890
Environmental Services	0	0	0	0	0	0	0	0	0	0
Waste Management	67,857,836	3,208,111	0	0	71,065,947	-11,720,028	-2,501,931	0	-14,221,959	56,843,988
Road transport	0	0	0	0	0	0	0	0	0	0
Water	39,588,878	152,848	0	0	39,741,726	-27,227,783	-560,798	0	-27,788,581	11,953,145
Electricity	31,607,328	2,175,495	0	0	33,782,823	-27,106,690	-387,837	0	-27,494,527	6,288,297
Other	247,789	0	0	0	247,789	-199,678	-8,731	0	-208,409	39,381
TOTAL	300,594,871	30,931,219	0	0	331,526,090	-74,293,661	-5,904,052	0	-80,197,713	245,182,720

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R		2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R
30,397,231	26,760,305	3,636,926	Executive & Council	25,293,356	33,288,500	-7,995,144
53,819,024	26,042,621	27,776,404	Finance & Admin	65,758,339	19,621,939	46,136,400
1,251,836	11,879,751	-10,627,915	Planning & Development	3,421,633	13,938,059	-10,516,426
4,851,278	5,631,047	-779,769	Health	1,188,133	3,628,210	-2,440,077
1,663,378	7,059,431	-5,396,053	Community & Social	519,009	23,398,396	-22,879,387
0	1,025,705	-1,025,705	Housing	0	661,093	-661,093
0	0	0	Public Safety	0	0	0
0	0	0	Sport & Recreation	0	0	0
0	0	0	Environmental Services	0	0	0
19,095,529	26,934,329	-7,838,800	Waste Management	27,563,697	24,394,368	3,169,329
3,476,431	6,549,350	-3,072,919	Road transport	9,437,011	5,055,269	4,381,742
24,674,210	23,111,674	1,562,536	Water	54,139,992	50,105,363	4,034,629
32,419,062	31,575,222	843,840	Electricity	38,061,488	38,991,271	-929,783
0	2,700,772	-2,700,772	Other	0	3,017,498	-3,017,498
171,647,980	169,270,206	2,377,773	**Sub Total**	225,382,657	216,099,965	9,282,692
0	0	0	Inter-Departmental Charges in cluded in figures above	0	0	0
171,647,980	169,270,206	2,377,773	**Total**	225,382,657	216,099,965	9,282,692